

Canoe Life Assurance  
Company Annual Report 1988

AR53

Budd Watson



The 134th Annual Report of The Canada Life Assurance Company

MAR 16 1981

One hundred and thirty-four years ago, when this continent was sparsely populated, the Canada Life was established as one of the pioneer life companies with the objective of bringing to many "the comforting protection of life assurance". Since 1847, the Canada Life has helped bring peace of mind to millions of people through tempestuous and tranquil times.

Although the economy was buffeted by the winds of change during 1980, your Company continued to grow and develop while enhancing its firm commitment to serving its vast, international family of policyholders.

*P. H. Crawford*  
President

Many of our policyholders, wherever they may live, may have had the opportunity to see the person whose like the one photographed by Budd LeVine Internationally recognized through solo exhibitions of his work. He is an Associate of The Royal Photographic Society of Great Britain and has earned the designation of "Excellence" from the Federation Internationale de l'Art Photographique, Berne, Switzerland.

THE YEAR AT A GLANCE

Highlights of the Consolidated Annual Report	1980	1979
Payments under Policy Contracts	\$ 382,401,000	\$ 330,762,000
First Year Premiums on New Business	212,405,000	165,952,000
Individual Insurance	22,445,000	21,043,000
Group Insurance	21,984,000	28,081,000
Guaranteed Annuities	147,888,000	80,034,000
Variable Insurance and Annuities	17,788,000	26,754,000
Life Insurance and Annuities in Force	38,772,882,000	34,431,926,000
Assets	3,477,533,000	3,021,066,000
Net Rate of Interest Earned	9.70%	8.95%

BOARD OF DIRECTORS

E.H. CRAWFORD President	A.H. LEMMON Chairman of the Board
J.G. HUNGERFORD, O.C. Former Chairman and Chief Executive Committee of the Board	DAVID W. BARR Vice-President of the Board Moore Corporation Limited
SIR DONALD BARRON Chairman Roumies Macintosh Limited	ARTHUR J.E. CHILD President and Chief Executive Officer Burns Foods Limited
E. JACQUES COURTOIS, O.C. Courtois, Clarkson Parsons & Wainwright Montreal	CATHALAN E. DAVIS Chairman of the Board Alcan Aluminium Limited Montreal
GRAHAM R. DAWSON Chairman and President Dawson Construction Limited Vancouver	GERARD PILON, C.C. Montreal
L. EDWARD GRUBBS Former Chairman and Chief Officer of Inco Limited	RUSSELL E. HARRISON Chairman and Chief Executive Officer Canadian Imperial Bank of Commerce
J.C. PHILLIPS, O.C. Chairman of the Board Guthrie Limited	MRS. A.F.W. PLUMPTRE Ottawa
C.E. RITCHIE Chairman of the Board and Chief Executive Officer The Bank of Nova Scotia	The Honourable ROBERT L. STANFIELD, P.C., O.C. Ottawa
RICHARD J. TERRELL Former Vice-Chairman General Motors Corporation	WILLIAM P. WILDER President and Chief Executive Officer Hiram Walker Resources Ltd.

SENIOR MANAGEMENT

N.A. DALY, C.L.U. Vice-President and Director, Canadian Division	J.G. FLEMING, F.L.M.I. Vice-President Investments
D.I. FRASER, F.L.M.I. Vice-President Administration and Secretary	C.J. MAYNARD, F.S.A., F.C.I.A. Senior Vice-President and Chief Actuary
D.A. NIELD, F.S.A., F.C.I.A. Vice-President and Director, Group Division	R.D. RADFORD, F.L.M.I. Senior Vice-President Investments
H.L. SCHULTZ, C.L.U. Vice-President and Director, United States Division	F.L. STREVESEN, F.L.M.I. Vice-President and General Manager United States and Ireland
J.B. WALKER, F.S.A., F.C.I.A. Executive Vice-President	W.B. WAUGH, F.S.A., F.C.I.A. Vice-President and Controller

HONORARY DIRECTORS

A.C. ASHFORTH	J. GORDON BEATTY, M.C.
E.C. GILL	BEVERLEY MATTHEWS, C.B.E., O.C.
JOHN L. MCCARTHY	The Right Honourable LORD McFADZEAN, K.T.
ELLMORE C. PATTERSON	

CONSOLIDATED STATEMENT OF OPERATIONS for the year ended December 31, 1980 (in thousands of dollars)

	1980	1979
Revenues:		
Premiums for:		
Life Insurance	\$ 241,380	\$ 219,829
Health Insurance	82,463	60,871
Annuities	197,754	134,188
Amounts received for segregated annuity funds	87,318	83,651
Net investment income	293,111	257,517
Gain (loss) on currency transactions	(130)	2,418
Gain on sale of real estate	1,176	468
Increase in market value of assets held for variable insurance and segregated annuity funds	39,428	15,967
	942,500	755,178
Expenses:		
Payments to policyholders and beneficiaries—		
Death benefits	89,290	83,701
Disability benefits	72,849	50,125
Benefit endowments	15,150	12,173
Annuities	61,767	50,251
Cash surrender options	81,048	62,308
Policy dividends allotted	43,320	41,433
Payments under segregated annuity funds	32,267	29,073
	392,401	330,192
Interest on amounts left on deposit	7,038	5,472
Increase in actuarial reserves	246,064	182,191
Expenses of administration, sales and service	107,409	85,717
Income, premium and sundry taxes	5,223	7,052
Net increase in segregated annuity funds	268,644	118,819
	906,779	736,013
Net income for the year	35,721	19,163
Surplus and contingency reserves, beginning of year, as restated (note 4)	294,380	275,817
Surplus and contingency reserves, end of year	\$ 336,101	\$ 294,380

(See accompanying notes)

CONSOLIDATED BALANCE SHEET at December 31, 1980 (in thousands of dollars)

	1980	1979
Assets:		
Bonds	\$1,121,524	\$ 948,676
Mortgage loans	775,914	738,323
Stocks (common and preferred)	269,881	269,881
Real estate	168,711	140,659
Loans on policies	234,469	210,519
Provision for future policy dividends	37,054	33,979
Cash and interest bearing deposits	25,579	27,993
Premiums in course of collection	48,451	40,127
Interest and rents due and accrued	22,416	20,318
Other assets	77,535	629,049
Net assets of segregated annuity funds	\$3,477,533	\$3,021,066
Liabilities:		
Actuarial reserves (note 3)	\$2,098,996	\$1,850,932
Benefits in course of payment and provision for unreported claims	93,403	75,325
Policyholders' amounts left on deposit at interest	56,866	55,958
Provision for future policy dividends	60,524	55,937
Funds held for segregated annuities	775,535	629,891
Policy benefit liabilities	3,085,620	2,666,493
Miscellaneous liabilities (including unallocated amounts and provision for outstanding taxes and expenses)	61,812	59,843
Total liabilities	3,147,432	2,726,666
Surplus and contingency reserves held as additional protection for policyholders and beneficiaries (note 4)		
Asset valuation reserve	48,000	47,501
General contingency reserve	162,000	140,000
Unassigned surplus	120,101	106,879
Total surplus and contingency reserves	\$330,101	\$294,380
	\$3,477,533	\$3,021,066

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1980

1. Significant accounting policies  
(a) The accounting principles followed for these statements are those prescribed or permitted by the Department of Insurance, Canada, as the Company is subject to regulation under the Canadian and British Insurance Companies Act.  
(b) These financial statements consolidate the operating results and financial position of the Company's wholly-owned subsidiaries.  
(c) Assets held for the life insurance business are valued as follows:  
(i) Bonds are carried at amortized cost and mortgage loans at amortized cost less principal repayments, plus or minus the unamortized balance of losses or gains on sales. The difference between the proceeds on the sale of a bond or mortgage and its book value is considered to be an adjustment of future portfolio yield, deferred on the balance sheet and amortized over the lesser of the period to maturity of the security sold or 20 years.  
(ii) Investments in stocks are carried at cost plus or minus losses or gains on sales of stocks, and are adjusted toward market value. The market value adjustment each year is 7% of the difference between quoted book value and year-end market value for the portfolio.  
(iii) Real estate investments are carried at cost net of encumbrances, less accumulated depreciation calculated on the sinking fund basis.  
(iv) Policy loans are carried at their unpaid balance and are fully secured by the cash surrender value of the policies on which the respective loans are made.  
(d) Assets held for the health insurance business are carried at amortized cost for bonds and amortized cost less principal repayments for mortgages.  
(e) Assets held for variable insurance contracts and segregated annuity funds are included at market value.  
(f) Actuarial reserves represent the amount required, in addition to future premiums and interest, to provide for future payments under insurance and guaranteed annuities. The reserves are determined on a modified net premium method using appropriate assumptions and make provision for guaranteed cash values.  
(g) The Company is subject to complex income tax laws in several countries. Income taxes are provided based on an estimate of the amount currently payable which will not bear a normal relationship to pre-tax income because of timing and other differences in the calculation of taxable income.  
(h) These statements include United States currency at \$1.00 Canadian to the United States dollar and British and Irish currencies at \$2.00 Canadian to the United States dollar.  
(i) Certain 1979 figures have been restated to conform to the 1980 presentation.

2. Analysis of investments at December 31, 1980

	Bonds	Mortgages (000's)	Stocks	Real estate
(a) Assets held for the life fund	\$1,058,793	\$741,492	\$212,246	\$166,711
Adjustment for deferral and amortization of gains and losses	6,523	(6,275)		
Carrying value of life fund assets (note 1)(c)	1,065,316	741,492	205,971	166,711
Assets held for the health insurance business (note 1)(d)	54,048	34,422		
Assets held for variable insurance contracts carried at market	2,160		63,909	
Carrying value of investments—1980	\$1,121,524	\$775,914	\$269,881	\$166,711
—1979	948,676	738,323	230,961	140,659
Market value of investments—1980	\$ 929,582	\$629,578	\$392,670	\$270,329
—1979	796,251	637,152	303,567	220,394
Amortization of gains and (losses) included in net investment income—1980	\$ (760)	\$ Nil	\$ 9,163	
—1979	(527)	Nil	5,375	

(b) Net assets held for segregated annuity funds:

	1980 (000's)	1979 (000's)
Bonds	\$379,176	\$308,379
Mortgage loans	84,383	89,383
Stocks	291,027	208,489
Cash and interest bearing deposits	2,924	3,596
Amounts owed and accrued	12,153	10,128
Amounts owed investment dealers and others	(4,738)	(1,014)
	\$775,535	\$629,891

3. Actuarial reserves

	1980 (000's)	1979 (000's)
Changes during the year were as follows:		
Balance, beginning of year	\$1,850,932	\$1,674,037
Set aside on new and existing business	238,397	183,145
Change due to fluctuation in the market value of assets held for variable insurance	9,467	(954)
	248,064	182,191
Net decrease resulting primarily from changes in the method of calculating certain insurance reserves	(2,098,996)	(1,850,932)
Balance, end of year (1979 restated)	\$2,098,996	\$1,850,932

1979 figures have been restated, giving effect to changes in the calculation of actuarial reserves adopted in 1980, in order to present the reserves on a comparable basis to year to year. The effect of this change on net income is not material in 1979 or 1980.

4. Surplus and contingency reserves

(a) Changes during the year were as follows:	Asset Valuation Reserve	General Contingency Reserve	Unassigned Surplus	Total
Balance, beginning of year as reported	\$47,501	\$140,000	\$101,583	\$289,084
Change resulting from restatement of actuarial reserves (note 3)			5,296	5,296
Balance, beginning of year as restated	47,501	140,000	106,879	294,380
Appropriations	499	22,000	(22,499)	Nil
Balance, end of year	\$48,000	\$162,000	\$120,101	\$330,101

- (b) The asset valuation reserve is comprised of a statutory investment valuation reserve against market deficiencies of assets held for the life and health insurance business of \$33,374,000 (\$30,472,000 in 1979) reduced by a statutory currency fluctuation adjustment of \$28,633,000 (\$15,767,000 in 1979), a statutory reserve against the net book value of furniture and equipment of \$4,265,000 (\$3,357,000 in 1979), and an additional reserve for protection against future market currency fluctuations.
- (c) The general contingency reserve, representing an additional protection for policyholders, provides for severe adverse fluctuations in experience factors and economic conditions and includes \$14,012,000 (\$10,972,000 in 1979) for statutory requirements outside Canada.

5. United States assets

At December 31, 1980, assets included in the accompanying consolidated balance sheet held in trust in the United States of America by The Canada Life Assurance Company (exclusive of its subsidiaries) for the protection of its United States policyholders totaled more than \$267,000,000 which exceeded net liabilities to its United States policyholders at that date.

VALUATION ACTUARY'S REPORT

To the Policyholders and Directors of The Canada Life Assurance Company:

I have made a valuation of the policy benefit liabilities of The Canada Life Assurance Company for its consolidated balance sheet at December 31, 1980 and its consolidated statement of operations for the year then ended. The valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, and is not less than is required by the Canadian and British Insurance Companies Act.

In my opinion the amount of policy benefit liabilities makes good and sufficient provision for future payments under the terms of the policies in force, and a proper charge on account of those liabilities has been made in the consolidated statement of operations.

Toronto, Canada  
February 16, 1981

J.C. Maynard, F.S.A., F.C.I.A.  
Senior Vice-President and Chief Actuary

AUDITORS' REPORT

To the Policyholders and Directors of The Canada Life Assurance Company:

We have examined the consolidated balance sheet of The Canada Life Assurance Company as at December 31, 1980 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the opinion of the Company's Senior Vice-President and Chief Actuary as to the amount of the Company's actuarial reserves.

In our opinion, based on our examination and the opinion of the Senior Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations for the year then ended in accordance with accounting principles described in note 1 applied, after giving retrospective effect to the change in calculating actuarial reserves referred to in note 3, on a basis consistent with that of the preceding year.

Toronto, Canada  
February 16, 1981

Clarkson Gordon  
Chartered Accountants

VOTING RIGHTS OF PARTICIPATING POLICYHOLDERS

Every holder of a Canada Life Assurance Company participating policy under which no premiums are due and unpaid is entitled to attend General Meetings of the Company and to vote in person or by proxy. Forms for naming a proxy may be obtained by writing to the Secretary at the Head Office in Toronto. The person named as proxy must himself be a policyholder entitled to vote at meetings of the Company, and to be valid, proxy forms must be filed with the Secretary at the Head Office at least ten days before a meeting at which the proxy is to be used. A policyholder may revoke his proxy at any time. The Annual Meeting of The Canada Life Assurance Company is held at the Head Office of the Company, on the first Thursday of March in each year.